

## **Medicaid Expansion: The First Year**

**1 p.m.**

**Thursday, Feb. 12, 2015**

**Room 110**

**Gov. Steve Beshear**

Today we remove the final reason Kentucky critics have for not supporting the Affordable Care Act.

Throughout the conception and implementation of this transformative initiative, critics have come up with reasons to oppose and undercut a program that has dramatically expanded access to quality health care for all of our people.

As fast and as thoroughly as we've shot each objection down, they've moved on to another one.

First critics said the ACA wouldn't pass Congress.

It did.

Then they said it was unconstitutional.

The highest court in the land ruled that it wasn't.

Then they said President Obama was too unpopular in Kentucky for leaders here to embrace it.

But I recognized this historic opportunity to help Kentuckians and I seized it as fast as I could.

Then they said there wasn't a demand for health care reform in Kentucky.

Over half a million Kentuckians proved them wrong.

Then they said the Kentucky implementation of the ACA – "kynect" – wouldn't work.

It has.

And finally – as their last objection – critics say "*well ... the ACA and kynect might be huge successes, but we can't afford one of its key pieces – the expansion of Medicaid to include the working poor.*"

Today, in conclusive fashion, we bury that objection under an avalanche of facts that demonstrate – to the satisfaction of anyone and everyone with an open mind – that Kentucky can indeed afford to take care of its people.

In fact, we can't afford not to do it.

Now I know some officials were sincerely concerned about Kentucky's ability to pay for the Medicaid expansion, long term.

I was too.

That's why, before I made that decision in May 2013, I sought advice from the pre-eminent actuarial firm Pricewaterhouse Coopers and the University of Louisville's Urban Studies Institute.

These independent groups concluded that expanding Medicaid would inject \$15.6 billion into Kentucky's economy over eight years ... create almost 17,000 jobs ... turn costly federal mandates into an \$800 million positive budget impact ... and protect Kentucky hospitals from the impact of cuts in indigent care funding.

So, on that basis, we moved forward.

But those numbers were only a forecast, and I remained intensely interested in whether the performance would back up the optimism.

So the Kentucky Cabinet for Health and Family Services hired Deloitte Consulting LLC, an internationally recognized accounting and consulting firm ... and brought back U of L's Urban Studies Institute.

We wanted an analysis of Medicaid expansion after its first year, and to project those findings through Fiscal Year 2021.

Kentucky is the first state to take such a look.

Today I want to report on the results of this independent fiscal analysis of the 2014 Medicaid expansion experience.

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But first, it's important to give a little context.

Many people don't realize that, historically, Medicaid has focused on providing care only for certain groups among the poor – the elderly, disabled, children, pregnant women and, to a lesser extent, some very low-income parents.

Simply having an income beneath the federal poverty level did not guarantee access to Medicaid.

But my decision to expand Medicaid eligibility in Kentucky changed that, extending coverage to people earning up to 138 percent of the federal poverty level.

These are primarily families with low incomes or childless adults who don't have health coverage because they make too much to qualify for so-called traditional Medicaid ... their employers don't provide affordable insurance ... and they can't afford to buy individual plans on the open market.

And there were many of our fellow Kentuckians who fit this description.

In calendar year 2014, Kentucky added 375,000 Kentuckians to Medicaid through the expansion program.

Also signed up were an additional 17,000 Kentuckians who were eligible under the traditional Medicaid criteria but had not previously enrolled for various reasons.

Coverage for expanded Medicaid began in 2014.

What has been the result?

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First let's talk about jobs.

The 2013 report predicted that Medicaid expansion would lead to about 7,600 new jobs in health care and related fields in its first year as providers expanded to provide all that additional care.

The actual figure is much higher.

In 2014, more than 12,000 jobs were created as a result of Medicaid expansion, including more than 5,400 health sector jobs.

The 2013 report predicted that almost 17,000 jobs would be created by 2021.

However, the new report now estimates that by 2021, that number is expected to grow to more than 40,000 new jobs, with an average annual salary of \$41,000.

Many of these jobs will be in core health-care professions like nurses, pharmacists, doctors and the fast-growing health-care support positions.

Those core jobs also create additional jobs for accountants, data analysts, property managers and many others.

And ... all of those new employees purchase goods and services throughout Kentucky's economy ... at their local grocery stores, restaurants and retail establishments.

So the combined effects of these added jobs will have significant impact on our families and communities across the state.

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Now, a second finding of the new report has to do with impact on Kentucky's economy.

It's a big number – much larger than the \$15.6 billion estimate in the first report.

With the combined effects of the new jobs ... federal Medicaid funding flowing to the state ... associated health-care spending ... and savings realized by state and local governments ... the expansion's net economic impact to Kentucky is estimated at \$30 billion over eight years.

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Thirdly, state and local governments will also see a huge positive direct fiscal impact as a result of the expansion.

This speaks directly to critics' concerns about "affording" Medicaid expansion.

According to the analysis, over the eight years -- from FY'14 to FY'21 – that net impact is estimated at a positive \$819.6 million.

That's actually an increase from the \$802.4 million figure estimated in 2013.

Now a lot of things go into calculating that figure.

- The first impact are huge increases in tax revenues – income taxes, sales taxes and occupational and payroll taxes.

Revenues increase as jobs are created and more care is provided.

- The second impact is that under the Affordable Care Act, we can and have transferred to the federal government costs within the Medicaid program that have traditionally been assigned to states, dramatically reducing the state's share of payment for certain Medicaid groups.

These include special eligibility categories, such as some women covered under a breast and cervical cancer screening program ... adults in nursing facilities ... and people previously qualified under K-TAP.

- A third impact includes reductions to General Fund allocations to certain agencies because services that we once provided are now picked up by Medicaid.

These include health care for prisoners in certain situations ... mental health and substance use treatment for certain members of the population ... and services at local health departments.

- A fourth impact involves KCHIP, which costs less because the federal match rate has increased to 100 percent.
- A fifth impact comes because the state share of payments to reimburse hospitals for providing uncompensated care – also known as disproportionate share hospital payments or DSH (*“dish”*) – will begin decreasing in FY '17.
- And finally, a sixth impact included in that total is a negative fiscal impact often cited by critics: At some point the state has to start paying a match toward Medicaid expansion.

The federal government is now picking up 100 percent of the cost.

In the fourth fiscal year, a small match comes into play ... that that match gradually increases, peaking at 10 percent at the end of the eight-year period.

But let me reiterate: The \$819.6 million positive impact takes that match into account all the way through 2021.

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It's also important to point out that had we not expanded Medicaid, Kentucky would still have incurred about \$100 million in additional costs ... not to mention the millions of dollars in additional penalties that would have hit Kentucky employers.

We avoided those because of expansion.

So that's an important thing for people to understand:

Not only is there a very real net positive impact from expanding, but if we had chosen not to expand, it would have required an infusion of an additional \$100 million from the General Fund into the regular Medicaid budget.

That is why we see many of those with a stake in the health-care industry in non-expansion states actively urging their governors and legislators to pursue expansion.

They know they are missing out.

That is also why even today leaders in states that initially said "no" to expansion are trying to correct their mistakes.

And yes, this is happening in so-called politically "red" states as well as "blue" states.

In fact, six of the 22 states that expanded right away had Republican governors.

Six other states expanded through innovative-style programs.

And seven additional states – only three of which have Democrat governors – are still trying to expand.

I said from the beginning that once governors put partisanship aside and looked at the facts, and saw what was going on in Kentucky and other expansion states, they too would want to help their people.

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Another important thing to consider is this:

Kentucky isn't permanently locked into this decision.

If you look at the projected fiscal impact only, then you obviously see what a good deal this is for the state.

To see this, let's examine the next biennium (*which is reflected on this chart behind me*).

If you add the two years, the analysis clearly shows that the estimated additional expenditures from this decision over the biennium total \$247.6 million.

But the offsetting estimated value of additional tax revenue and savings from budget cuts and cost-shifting from Medicaid expansion total \$511.8 million.

In the next budget cycle alone, that's an estimated \$264.2 million positive impact.

And remember, this is a conservative estimate.

We should monitor such numbers, budget cycle by budget cycle, because the federal government doesn't require states that expand Medicaid to maintain their choice in the future.

Should future analysis in Kentucky reflect that the program no longer is affordable, the decision makers at that time have the ability to change the Medicaid program.

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But I bet those future decision-makers will come to the same realization I did, particularly because Medicaid expansion gives our health-care providers the compensation they need for taking care of a population that was largely uninsured prior to expansion.

So let's talk about the fourth positive impact of Medicaid expansion, and that's the immediate influx of dollars to Kentucky's medical providers.

Medicaid expansion paid at least \$1.16 billion in new Medicaid revenues to health-care providers in calendar year 2014.

That figure continues to grow as bills incurred during 2014 are still working their way through the system and are being paid.

Now this is cash in hand, new money in their pockets – money that would not have been there had we not expanded.

*(As you can see on the chart behind me ...)* Hospitals alone received more than \$500 million of this.

Over the eight-year period studied, this figure is expected to reach almost \$20 billion.

That's almost \$9.3 billion for Kentucky hospitals, \$5 billion for pharmacies and \$3.7 billion for primary-care physicians.

Now, you still hear some hospitals bemoaning the new landscape, and talking about how they're being treated unfairly.

Find out for yourself.

And I'll give you two ways to do so.

Last summer, our Cabinet for Health & Family Services produced a report that detailed the new revenues by provider and by county.

The Cabinet has updated that report, and we're releasing it as a supplement, so you can see in black and white the new revenues that providers are receiving.

The second way is what is called an "on-line dashboard," or – if you want to be formal and fancy – a Medicaid Expansion Utilization Tool.

There will be a link to this tool on the Office of the Governor's web page, and our health policy director will be giving a demonstration after this press conference.

On it you'll be able to find four categories of information:

- One, the number of people enrolled in Medicaid expansion, by county and broken down by all sorts of demographic information.
- Two, payments to providers broken down by county and by provider categories.
- Three, the number of preventive services provided, such as cancer screenings and cholesterol checks.
- And four, the number of chronic diseases diagnosed in the Medicaid expansion population.

We believe that facts help tell this story, and that's why we're making this information available to media and the public.

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But beyond the increased revenues, a second way in which hospitals benefit is a drop in uncompensated care costs.



With fewer people lacking health-care coverage, hospitals are being required to provide free services to fewer people.

In fact, the cost of providing uncompensated care has dropped 60 percent, from \$1.9 billion in charges in the first three quarters of 2013 to \$766 million through the same time period in 2014.

Yet for the time being, hospitals are still receiving their full “*dish*” payments of \$199 million.

These are the payments that partially reimburse hospitals for providing that care.

These were scheduled to be reduced, but that reduction was delayed by the federal government until FY ‘17.

This represents, in essence, another huge pay raise for hospitals.

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And now let’s talk about the health of our people ... and how better access to care has already begun to improve the collective health of Kentucky, especially when it comes to chronic problems like high blood pressure, diabetes and depression.

After all, improving the collective health of Kentuckians was the whole purpose of this effort.

That begins by getting people access to quality and affordable care.

More than half a million people signed up through kynect for either Medicaid or a qualified health plan in 2014.

Consequently, a Gallup poll this past year reported that the drop in the number of uninsured Kentuckians was second-highest in the country, going from 20 percent in 2013 to just under 12 percent midway through this past year.

Just look at these county maps behind me, which show our internal numbers for this drop in uninsured.

The counties in the “before” picture – before the ACA – are almost all orange – reflecting uninsured numbers in the high teens and 20s.

But in the “after” map – you don’t see orange anywhere.

Our counties are now almost all colored blue, reflecting uninsured totals of less than 10 percent.

Many are less than 5 percent.

The number of uninsured Kentuckians will continue to drop as we enroll more people in Medicaid and kynect's qualified health plans.

About 75 percent of these people reported not having coverage at the time they enrolled through kynect.

These are not aliens from some distant planet.

These are our friends, relatives and neighbors.

Thanks to kynect and Medicaid expansion, they no longer have to choose between medicine and food.

They no longer have to skip checkups and hope nothing goes wrong.

They no longer have to ignore troubling signs like a lump or a pain and pray that it doesn't develop into a chronic disease or fatal illness.

And our children no longer have to go to school with painful toothaches and infected gums, because they've never been to the dentist.

Now our friends and family members can take full control of their health.

And indeed they are.

To gauge the demand for health care, Kentuckians who qualified for Medicaid expansion were compared with a baseline comparison group made up of some "traditional" Medicaid enrollees.

The new enrollees sought primary health care at a 55 percent higher rate than that comparative group – not because they're sicker, but because they've been so long without care.

Talk about pent-up demand.

And this care will have demonstrable benefits.

Preventive medicine reduces the likelihood of chronic conditions developing ... and regular screenings will help catch these conditions or diseases in their earliest stages when they have the greatest chances for a positive outcome and are less costly to treat.

Thanks to Medicaid expansion (*and the chart behind me has some of these examples*):

- In 2014, more than 90,000 Kentuckians had their cholesterol checked as a critical first step toward addressing heart disease.
- Almost 46,000 Kentuckians were screened for diabetes.
- More than 17,000 were screened for colorectal cancer.
- Almost 26,000 women received mammograms.
- More than 33,000 had cervical cancer screenings.
- And 80,000 Kentuckians had preventive dental visits.

Why are these numbers important?

Controlling cholesterol helps prevent heart attacks and other coronary events.

Regular mammograms reduce the number of deaths from breast cancer by as much as 28 percent.

And when detected early, 90 percent of people diagnosed with colon cancer – one of the most preventable forms of cancer – will survive at least five years, whereas the survival rate for late-stage colon cancer is significantly lower.

Preventive care saves not only lives but millions and millions of dollars.

And for those already with advanced diseases or chronic conditions, Medicaid expansion gives them the ability to receive regular, ongoing treatment in the appropriate setting – not in their local emergency rooms and not having to depend on the charity of local physicians.

For example, we have 2,000 people qualifying for Medicaid expansion who are being treated for breast, prostate, colorectal or uterine cancer ... and 31,000 being seen for diabetes.

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Furthermore, in the areas of substance use and mental health – two long-term, stubborn problem areas in Kentucky – we have special potential to change the Commonwealth's future.

Since the ACA requires substance use disorder treatment to be covered as an essential health benefit, more than 300 new behavioral health providers have enrolled in Medicaid.

Through Medicaid expansion, more than 13,000 Kentuckians diagnosed with a substance abuse disorder are receiving treatment, such as screening, assessment, medication-assisted therapy, outpatient therapy and case management.

They finally have a chance to get the help they need to lead productive lives.

This preventive care is also a huge step forward in reaching specific health goals we set as part of our Kentucky Health Now initiative.

We started this initiative a year ago next week, and it's chaired by Lt. Gov. Crit Luallen.

Through it we are taking direct aim at stubborn health problems in seven key areas, like tobacco use, obesity, heart disease, cancer, and behavioral and oral health.

The preventive care made possible by Medicaid expansion will help us reach our goal of achieving those health outcome targets by 2019.

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Now, a few big-picture things to think about:

The authors of this report adopted a conservative view to guide predictions of future costs and health care needs.

Because it's conservative, their financial models assumed that Kentucky's collective health won't improve much – essentially that Kentuckians will continue to lead the nation in chronic conditions.

But I think we already know that won't be true – particularly because we are seizing an opportunity that other states have delayed, which gives Kentucky an even better ability to improve our competitiveness and health profile relative to our so-called “peer” states.

And this report also gave no value to the impact our growing economy will have on Medicaid populations.

It doesn't take into account that – as our economy continues to improve – some of our new Medicaid enrollees may get jobs that offer health insurance or pay enough that they no longer qualify for Medicaid

In other words, these figures I just shared do not count the societal impact of improved health on quality of life or economic capacity.

Look, Kentucky has long ranked at the bottom or near the bottom in almost every health ranking, from cancer deaths to heart disease to respiratory illnesses to substance abuse.

The consequences have been devastating for our families and the state:

There is a direct line from poor health to almost every challenge Kentucky faces – whether that's poverty, unemployment, low education attainment, substance abuse or crime.

I've said from the beginning that in order to improve our ability to compete economically for jobs and business (to improve our competitive capacity) ... and to improve the quality of life of our people in both the short and long term, we have to fix this weakness.

Better health will have positive ramifications across the board, from improved productivity to better school attendance to a better public image.

This report doesn't place a value on any of these benefits.

But we know they will be there.

And we all know that a stronger workforce will help us attract businesses and jobs.

There are many intangible, immeasurable benefits that accompany the tangible figures detailed in this report.

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So, to all the naysayers who claim we can't afford expanded Medicaid, I say this: Everyone is entitled to their own opinion, but no one is entitled to their own facts.

And the facts are here for all to see.

Medicaid expansion is working, and it's paying off ... literally.

State and local governments are saving money ... hospitals are earning more ... our people are getting healthier ... and our state is growing stronger.

In short, we are well on our way to a better future in Kentucky, for all of us.

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